

ATTACHMENT B

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January 19, 1998

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Commissioner Irma Muse Dixon
Louisiana Public Service Commission
4100 Touro Street
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Re: Docket No. U-22861 - WorldCom, Inc., ex parte.
In re: Request a letter of non opposition to
the acquisition of control of MCI
Communications Corporation ("WorldCom/MCI
Docket")

Dear Commissioners:

We represent Intervenor GTE Corporation and its affiliates ("GTE") in the above-referenced matter. On Friday, January 16, 1998, our office learned that Exhibit No. 36, identifying the WorldCom/MCI Docket, had been added to the Supplemental Agenda for the Commission's Wednesday 21, 1998 meeting at the request of Commissioner Sittig. Because that docket has been assigned to Administrative Law Judge Valerie Meiners, GTE has been awaiting an Order from her setting a status conference to establish a discovery schedule and hearing date. Such an order has not yet issued. For this reason, the placing of this item on Wednesday's agenda is premature.

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I. Summary of GTE's Position.

As explained below, there is no urgency requiring the Commission to pass on the merits of WorldCom's request because the proposed transaction is currently under review in other states and before the FCC. Moreover, for the Commission to act without a fully developed record reflecting the taking of evidence and thorough consideration of the eighteen factors set forth in the Commission's March 18, 1994 General Order (In re: Commission Approval Required of Sales, Leases, Mergers, Consolidations, Stock Transfers, and All Other Changes of Ownership or Control of Public Utilities Subject to Commission Jurisdiction), would be contrary to law, denying GTE its right to be heard and to provide the Commission with information critical to the Commission's decision-making on this significant matter, which has serious implications for competition in telecommunications.


II. The Status of Proceedings Before this Commission.

To date, very little has been presented to the Commission regarding the merits of the proposed transaction. WorldCom filed its Application on October 16, 1997. In that Application, WorldCom made brief, unsupported allegations that the proposed merger will satisfy the concerns set for in the eighteen points of the Commission's March 18, 1994 General Order. Thereafter, on November 26, 1997, WorldCom and MCI jointly submitted an executed copy of their Agreement and Plan of Merger to the Commission. Those parties also filed two oppositions, which similarly contained no evidence, to GTE's Intervention.

WorldCom and MCI have not filed any presentation of evidence upon which the Commission can render a decision. Because no hearing on the merits has yet taken place before the ALJ, GTE has not had its opportunity to be heard in opposition to the proposed transaction.

III. The Status of Proceedings Elsewhere.

In addition to the review which this Commission will conduct, the proposed transaction is subject to review by commissions in many other states and by the FCC. Before the FCC, at least nine parties other than GTE, including Bell Atlantic, BellSouth Corporation, the AFL/CIO, the Communications Workers of America, and the Rainbow/PUSH Coalition -- reflecting a coalition of consumers, organized labor and telecommunications industry participants -- have filed oppositions to the proposed merger. Taking a highly unusual step, the FCC has noticed GTE's Motion to



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Dismiss for public comment. A copy of that notice is attached hereto as Exhibit "A." By their own admission, WorldCom and MCI have conceded that federal review of the proposed transaction will not be completed before May 1998. Indeed, to GTE's knowledge, WorldCom and MCI have yet to announce publicly that they have certified substantial compliance with the Department of Justice Antitrust Division's Hart-Scott-Rodino merger review process. This is not unexpected in light of the fact that those parties received a second information request from the Antitrust Division, which occurs when the Division has serious concerns about a proposed transaction's effect on competition.

At the state level, pending proceedings are in various postures. The vast majority are in the earliest stages.¹

IV. Issues Raised By the Proposed Transaction.

Anything which WorldCom and MCI may assert to the contrary, the proposed merger raises serious anticompetitive concerns. The proposed merger would further concentrate an already highly concentrated market, and the proposed merged entity would have both the power and incentive to stifle effective competition by resellers (including GTE) through wholesale pricing and service strategies. The combination of the No. 2 and No. 4 facilities-based long distance carriers will significantly reduce competition; indeed, if the proposed merger takes place, two firms -- AT&T and the combined WorldCom/MCI entity -- will control at least 74% of the national long distance market. The ability of resellers like GTE to compete and pass on the benefits of competition to their customers, the telecommunications end users, will be jeopardized. This Commission has already shown its concern in protecting customers from higher long distance rates in Docket No. U-22303 (LPSC, ex parte. In re: Investigation of Access Reduction Flow Through to End Users), which appears as Exhibit No. 24 on Wednesday's agenda.

The very real danger of this occurring has been shown in Bell Atlantic's submission to the FCC in opposition to the merger. In its filing, Bell Atlantic provided evidence by way of affidavit of MCI's offer to sell its intrastate carrier network services to

¹We note that on this past Thursday, the Virginia Public Service Commission determined to extend the time period to review requests for hearing and responses thereto on the WorldCom/MCI application before it for 120 days, or until May 22, 1998. A copy of that commission's order is attached hereto as Exhibit "B."

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Bell Atlantic only on conditions imposing a price penalty if those services were resold to MCI customers. A copy of MCI's proposal to Bell Atlantic is attached hereto as Exhibit "C." This conduct, which Bell Atlantic has labeled as anticompetitive, coupled with AT&T's refusal to negotiate any long distance resale agreement with Bell Atlantic, places Bell Atlantic -- and any other reseller -- at a distinct competitive disadvantage, which is contrary to federal and state policies encouraging resale.

Because the proposed merger will remove WorldCom as an independent competitive force, resellers will lose a significant facilities-based carrier source from which to acquire capacity for resale and thus combat strategies such as that described above. The departure of WorldCom from the wholesale telecommunications market will also reduce competition because only WorldCom among the four major providers has pursued competitive rather than cooperative pricing strategies.

**V. This Commission Should Allow a Full Development of
the Record Before Deciding this Matter.**

It is not difficult to perceive WorldCom's and MCI's strategy before this and other state commissions. Quickly convince those commissions that this matter will be ultimately decided by the FCC and that, for that reason, their approvals can be given without concern. Should sufficient commissions accept such a view, then WorldCom and MCI can turn to the FCC and point to the "overwhelming" approval of the proposed transaction at the state level as justification for FCC approval.

Such a strategy should not be countenanced. This Commission has an independent obligation to determine whether the proposed merger is in the public interest, and to look at factors and evidence at the state level that are not necessarily the same as those at the national level. This Commission has sought to encourage competition for the provision of local services. In its Application, WorldCom suggests that the proposed transaction will accelerate MCI's local services entry strategy. Yet, analysis of WorldCom's SEC filings demonstrates that the merged company intends to reduce investment in the local exchange market to satisfy its other debt obligations. This Commission should take the time necessary to inquire into this aspect of the proposed transaction, which will have an impact on Louisiana.

Another factor supporting a full and deliberate consideration of the issues raised by the proposed merger is its size. The proposed transaction is one of the largest corporate

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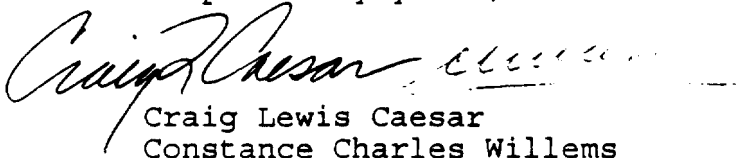
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mergers ever attempted. To act now would set the inappropriate precedent of an unduly rapid consideration of so complex a merger.

The Commission should allow its regular hearing procedures to be followed. Discovery should be permitted in order that issues such as those raised above, and others, can be fully explored. After a full evidentiary record has been developed, then the Commission can render its best judgment on the merits of the proposed transaction. Alternatively, if the Commission does wish to defer to the FCC, then it may still stay any proceedings until the FCC has acted, rather than render a premature decision.

We will be in attendance at the Wednesday meeting, and request the opportunity to speak to the Commission with respect to the foregoing and any other matters relevant to this matter.

Respectfully yours,


Craig Lewis Caesar
Constance Charles Willems

CLC/gle

cc: All parties on the
attached Service List
Lawrence St. Blanc (LPSC)
Paul Guarisco (LPSC)
Susan Cowart (LPSC)
Ce Ce Morris-Honora (LPSC)

EXHIBIT

"A"

PUBLIC NOTICE

FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET, N.W.
WASHINGTON, D.C. 20554

DA 98-49

How much information 202418-0300 Fax-On-Demand 202418-1138 Internet http://www.fcc.gov fcc.gov

Released: January 12, 1998

COMMISSION SEEKS COMMENT ON GTE SERVICE CORPORATION MOTION TO DISMISS APPLICATIONS OF WORLD.COM, INC. AND MCI COMMUNICATIONS CORPORATION FOR TRANSFERS OF CONTROL OF MCI TO WORLD.COM

CC DOCKET NO. 97-211

On January 5, 1998, GTE Service Corporation (GTE) submitted a motion to dismiss the applications of WorldCom, Inc. (WorldCom) and MCI Communications Corporation (MCI) for transfers of control of MCI to WorldCom. GTE states that the WorldCom/MCI applications egregiously fail to meet the Commission's clearly established information requirements for transfers in the merger context as to warrant their summary dismissal.

GTE states that nowhere in the applications have WorldCom and MCI included an analysis of the relevant product markets, the relevant geographic markets, or the most significant market participants to be affected by this merger. GTE states that the burden to produce this information is upon the applicants, and that the failure to do so warrants the dismissal of their applications.

Interested parties are to file an original and 12 copies of their comments on GTE's motion within 15 days of the date of public notice of this motion in the Federal Register. See Section 1.4(b)(1) of the Commission's rules, 47 CFR 1.4(b)(1). Reply comments must be filed within seven days after the time for filing comments has expired. Comments and reply comments must be filed with the Secretary, FCC, 1919 M Street, N.W., Washington, D. C. 20554. All pleadings are to reference CC Docket No. 97-211. An additional copy of all pleadings must also be sent to Janice M. Myles, Common Carrier Bureau, FCC, Room 544, 1919 M Street, N.W., Washington, D. C. 20554, and to the Commission's contractor for public service records duplication, International Transcription Services, Inc. (ITS, Inc.), 1231 20th Street, N.W., Washington, D. C. 20036. GTE's motion is available for inspection and copying during normal business hours in the FCC's Reference Center, Room 239, 1919 M Street, N.W., Washington, D. C. 20554. Copies also can be obtained from ITS at 1231 20th Street, N.W., Washington, D. C. 20036, or by calling ITS at 202-857-3800 or faxing ITS at 202-857-3805.

This matter shall be treated as a "permit-but-discretion" proceeding in accordance with the Commission's revised *ex parte* rules, which became effective June 3, 1997. See *Amendment of 47 C.F.R. § 1.1200 et seq. Concerning Ex Parte Presentations in Commission Proceedings*, GC Docket No. 95-21, Report and Order, § 27 (citing 47 C.F.R. § 1.1204(b)(1)), FCC 97-92 (rel. Mar. 19, 1997); summarized at 62 Fed. Reg. 15852 (Apr. 3, 1997). Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentations must contain summaries of the substance of the presentations and not merely a listing of the subjects discussed. More than a one or two sentence description of the views and arguments presented is generally required. See 47 C.F.R. § 1.1204(b)(2), as revised. Other rules pertaining to oral and written presentations are set forth in Section 1.1206(b) as well. Interested parties are to file with the Commission Secretary, and serve Janice Myles and ITS with copies of any

written *ex parte* presentations or summaries of oral *ex parte* presentations in these proceedings in the manner specified above. The Commission also requires all written *ex parte* presentations or summaries of oral *ex parte* presentations in this proceeding to be served on all parties to this proceeding.

-FCC-

CERTIFICATE OF SERVICE

I, Latonya Y. Ruth, hereby certify that on January 27, 1998 a copy of the foregoing
“JOINT OPPOSITION TO GTE SERVICE CORPORATION MOTION TO DISMISS” was sent
by First Class United States Mail, postage prepaid, to the following:

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* VIA HAND DELIVERY